

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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CROWN STERLING LIMITED LLC,

Plaintiff,

v.

UBM LLC a/k/a BLACK HAT USA  
and DOES 1-10,

Defendants.  
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ECF Case No. 19 CV 7900

**COMPLAINT**

Jury Trial Demanded

1. Plaintiff Crown Sterling Limited LLC (“Crown Sterling” or “Plaintiff”), as and for its complaint against Defendants UBM LLC aka Black Hat USA and DOES 1-10, alleges as follows:

**NATURE OF THE ACTION**

2. Crown Sterling brings this action against Black Hat USA, the owner, organizer and promoter of the Black Hat USA 2019 cryptography industry conference, to remedy Black Hat USA’s breaching its sponsorship agreement with Crown Sterling and the implied covenant of good faith and fair dealing arising therefrom, and for other wrongful conduct, actions and omissions, as described more fully herein.

**PARTIES**

3. Crown Sterling is a Delaware limited liability company having its principal place of business at 4040 MacArthur Boulevard, Newport Beach, CA 92660.

4. Defendant Black Hat USA is a Delaware limited liability company having a place of business at 2 Penn Plaza, 15th Floor, New York, NY 10121.

5. Defendants DOES 1 through 10 inclusive currently are unknown to Plaintiff; as such, Plaintiff identifies those defendants in this action with fictitious names. Plaintiff is informed and believes that each of the defendants designated as DOES is legally responsible at least in part for the events and actions constituting the conduct damaging Plaintiff. Plaintiff will seek to amend this Complaint to identify and include the actual names and capacities of such defendants after Plaintiff has determined such data.

### **JURISDICTION AND VENUE**

6. Jurisdiction is proper under 28 U.S.C. § 1332. On information and belief after reasonable inquiry, Plaintiff's membership is completely diverse from Black Hat USA's membership and the amount in controversy exceeds \$75,000 exclusive of interest and costs.

7. Venue is proper in this District under 28 U.S.C. § 1391(b)(1), in that Black Hat USA maintains its principal office and place of business in the State of New York.

### **BACKGROUND**

8. This action concerns the abject failure of Black Hat USA, the organizer of Black Hat USA 2019, a celebrated and highly attended information security industry conference, to live up to its declared mission statement of fostering an open community, and Black Hat USA's refusal to conform to its own code of conduct to ensure a respectful, collaborative, and considerate forum for industry participants to exchange and promote their ideas and business platforms.

9. Black Hat USA's failure was occasioned by a premeditated, orchestrated attack on Plaintiff Crown Sterling at Black Hat USA 2019, staged by certain industry detractors and

competitors. Plaintiff Crown Sterling was not simply a participant at the conference. Crown Sterling was a sponsor. In purchasing the highest (“gold”) sponsorship package, Crown Sterling went all in to support the Black Hat conference, trusting that Black Hat USA reasonably would stand by its high standards. But it did not.

10. Rather than treat Crown Sterling with the respect due any participant or member of the public attending the Black Hat conference, Black Hat USA looked the other way when a small group of detractors staged a coordinated harassment of Crown Sterling’s scheduled talk, which was part of its sponsorship package.

11. This small group of detractors used this staged “event” to initiate a smear campaign on social media during the conference and immediately after. In that campaign, these detractors defamed Crown Sterling, questioning both its integrity and its cryptography solutions, which they described in one publication as “Snake Oil Crypto.” Black Hat USA’s response fell well below the community standards which they espoused. Rather than treat Crown Sterling, a sponsor of the conference, with respect due all conference participants, Black Hat USA did the opposite. It made public statements and took actions which had the direct effect of validating the defamatory attacks on its own sponsor, rendering Crown Sterling’s sponsorship agreement a nullity, and causing damage to Crown Sterling.

12. As a consequence of Black Hat USA’s acts and omissions, at the very least, Crown Sterling was denied the benefit of its bargain under the Sponsorship Agreement for reasons entirely within Black Hat USA’s control.

### **CROWN STERLING BECOMES A GOLD SPONSOR OF BLACK HAT USA 2019**

13. The Black Hat USA conference is widely regarded as the premier conference for information security (“infosec”) industry participants. It is *the* “see and be seen” event for such

participants, boasting the attendance annually of all or nearly all players of any significance in the information security space. Also attracting the journalists and analysts who follow the infosec space, the annual Black Hat conference is the *de facto* venue of choice for launch of new infosec products, services and ideas.

14. The Black Hat USA 2019 conference was held at the Mandalay Bay Hotel in Las Vegas from August 3, 2019 through August 9, 2019. On its website, Black Hat positioned the conference thusly: “Now in its 22<sup>nd</sup> year, Black Hat USA is the world’s leading information security event, providing attendees with the very latest in research, development and trends. Black Hat USA 2019 opens with four days of technical Trainings (August 3-6) followed by the two-day main conference (August 7-8) featuring Briefings, Arsenal, Business Hall and more.” In addition, “[t]his year, over 20,000 information security professionals from around the world came together for innovative research, skill-developing courses and community building.”

15. Crown Sterling, a start-up company, is developing a novel, next-generation information security encryption solution that it believes will supplant the current industry standard RSA encryption platform and usher a new era and paradigm shift in data encryption. This, at a time when data breaches are becoming more prevalent and costly, individuals’ privacy rights are under siege, and the protection of personally identifiable information is becoming more important to individuals, who themselves are becoming more sophisticated and guarded concerning such matters.

16. Crown Sterling decided to participate in Black Hat USA 2019 to introduce its next-generation cryptography solution, which it hopes might replace the current standard RSA encryption platform and contribute to greater data security for companies and individuals.

17. The Black Hat USA 2019 conference would be the first time that Crown Sterling participated in a Black Hat conference. About two dozen of Crown Sterling's employees spent months preparing to do so. Crown Sterling and its employees at every level, from the Chief Executive Officer down to administrative assistants, were eager to participate in what by all accounts promised to be a spirited engagement in and with the information security industry at Black Hat USA 2019.

18. Precisely because Crown Sterling was innovating away from the current RSA encryption standard, Crown Sterling expected some participants' skepticism. Crown Sterling understood that many of the Black Hat participants are highly invested and entrenched in the RSA encryption model, and that Crown Sterling's methodology will disrupt that model (which was developed in the 1970s), transforming how digital information will be encrypted and protected. Indeed, Crown Sterling welcomed the opportunity to participate in the premier forum for healthy debate about these matters. That respectful dialogue, Black Hat's organizers assured Crown Sterling, was the very hallmark of the Black Hat conference.

19. Keenly aware that many of its Black Hat participants routinely and vocally assert impassioned and opinionated stances on matters impacting the encryption field, Black Hat also has distinguished and promoted itself as a champion of and forum for free, fair, professional and respectful debate of such matters. Indeed, Black Hat has promulgated its Code of Conduct (a copy of which is attached as Exhibit 1 and also available for public view at Black Hat's website at <https://www.blackhat.com/code-of-conduct.html>), which sets forth the high professional standards expected of its participants and also the penalties and remedies for participants' violations thereof.

20. Among other standards mandated, Black Hat’s Code of Conduct makes clear to the general public and to conference attendees and sponsors alike, that all participants in the Black Hat conference must behave in a manner that is respectful, considerate and collaborative, not demeaning, discriminatory, harassing or abusive. Black Hat’s Code of Conduct lists unacceptable behavior in detail. Among other things, it prohibits “[i]ntimidating, harassing, abusive, discriminatory, derogatory, or demeaning materials or conduct by any attendees of the event and related event activities...” and “sustained disruption of talks or events (whether verbal or otherwise)” and physical, written, verbal or other abuse, intimidation, threats.”

21. Based on Black Hat USA’s encouragement, its Code of Conduct, and its avowed ethos of holding an open, fair and respectful conference, Crown Sterling entered into a Sponsorship Agreement with Black Hat USA whereby Crown Sterling paid Black Hat USA \$115,000 to be a gold sponsor at Black Hat USA 2019, operate an exhibition booth at the two-day conference, and give a scheduled, promoted talk in what Black Hat USA called a Sponsorship Session. A true copy of the Crown Sterling’s Sponsorship Agreement with Black Hat USA is attached hereto as Exhibit 2.

22. Well in advance of the Black Hat USA 2019 conference, Crown Sterling submitted the title of its scheduled talk to the Black Hat conference organizers and provided links to articles and a website that related to the content of the talk. Black Hat had ample opportunity to vet the talk. No one from or associated with the Black Hat conference at any time questioned the talk’s subject matter or inquired further about it.

## **DETRACTORS AT THE CONFERENCE STAGE A DISRUPTION OF CROWN STERLING'S TALK AND INITIATE A SMEAR CAMPAIGN**

23. As discussed herein, a small group of detractors staged an apparent premeditated attack on Crown Sterling's credibility and viability as a company. Moreover, as discussed herein, this small group of detractors acted with a degree of brazenness strongly suggesting that they had received tacit if not explicit permission to aggressively smear Crown Sterling's reputation at the Black Hat conference. These events unfolded as follows.

24. Crown Sterling on the afternoon of August 9 presented a sponsored session, presented by Crown Sterling's founder Robert Grant entitled "The 2019 Discovery of Quasi-Prime Numbers: What Does This Mean for Encryption?" The room was filled to capacity with conference attendees.

25. Excitement over Crown Sterling's presence at the Black Hat conference had been building. In two days of the conference, Crown Sterling's Booth had received 477 inquiries, from companies including, IBM, Microsoft, BEA Systems, and other highly desirable potential customers, consultants and valued added resellers. Apparently, Crown Sterling's competitors and detractors had taken note of the substantial and growing interest and high level of engagement at Crown Sterling's exhibitor booth.

26. At the conclusion of Crown Sterling's presentation, one of the detractors stood up and angrily addressed the room, seizing the floor, so to speak. He shouted accusations that Crown Sterling were fraudsters. He threatened that Black Hat itself would "take them down." This statement seemed absurd, but later proved uncannily revealing.

27. Crown Sterling also did not anticipate that this heckler would address its employees who were present, yelling at them that they should be ashamed for participating in a

fraud and urging them to quit. This attack took Crown Sterling and its employees aback and by complete surprise. What about Black Hat’s vaunted Code of Conduct? How could such slanderous conduct be allowed? Was it not demeaning to every single person in attendance, each of who could be presumed to possess both intellect and reason sufficient to form their own judgments? And indeed, many attendees had the same response, imploring the rabble rouser to stop the disruption and conduct himself appropriately. Those pleas went unheeded.

**BLACK HAT USA SIDES WITH CROWN STERLING’S DETRACTORS, AFFIRMING THE ABUSIVE CONDUCT DIRECTED AT ITS EVENT SPONSOR**

28. Subsequent events leave little doubt that the disruption of Crown Sterling’s talk was orchestrated and planned by a small group of industry detractors, and was not the action of a single bad actor. Perhaps it is not surprising that industry participants, whose income and relevance are entrenched in the status quo, fear disruption, especially in the tech space.

29. Immediately following the talk, the small group of detractors initiated a Twitter storm directed at attendees of the Black Hat conference, in which they began seeding defamatory accusations about Crown Sterling.

30. This so-called “protest” at Crown Sterling’s talk, and the resulting defamatory Twitter Storm, immediately invited coverage from tech publications, including PC Magazine, which hastily published an article on August 10, 2019 entitled “Black Hat Attendees: Sponsored Session was ‘Snake Oil Crypto’.” Notably, for its source, the article relied heavily on interviews and statements by two of the detractors responsible for the disruption of Crown Sterling’s sponsored session – the very persons who had openly initiated a smear campaign on Twitter.

31. In the face of all of this, Black Hat USA, as the Black Hat conference organizer and party with whom Crown Sterling entered the Sponsorship Agreement, had an obligation both



to conference attendees and to Crown Sterling to ensure that Crown Sterling, as a participant and a sponsor, was treated only with respect and dignity. Black Hat USA also had an obligation to provide Crown Sterling the benefit of its bargain, which was to be able to use its exhibitor booth and its sponsored session as means to invite fair, open, considerate and non-abusive dialog regarding its technology breakthrough, and to attract prospective clients, collaborators and business partners.

32. Crown Sterling never could have anticipated what happened instead: Black Hat USA itself, rather than enforcing its own Black Hat protocol and Code of Conduct, and rather than renouncing the abusive conduct and demanding civility and decorum, instead made good on that detractor's threat to "take Crown Sterling down" by publicly stating that it had taken down Crown Sterling's presentation materials from its event website. In fact, this statement was false. Black Hat USA had never posted the Crown Sterling materials on its website, and presumably did not know its contents when it subsequently purported to have screened them after the fact, and based on this screening which never occurred, taken them down. What Black Hat USA did do, however, is take down any mention of Crown Sterling's participation in the event from its website, essentially disavowing their presence and vitiating the very essence of the Sponsorship Agreement.

33. Black Hat also sided with the detractors in the most public of ways, providing a statement for the very PC Magazine article that served as a mouthpiece for those conference detractors. In its statement, Black Hat USA confirmed that it would take down Crown Sterling's content from its website, and it disavowed Crown Sterling as a sponsor. By doing so, Black Hat USA unfairly and inappropriately placed its imprimatur on the abusive sponsored session disruption and the defamatory smear campaign that followed shortly thereafter.

34. Instead of observing and enforcing its Black Hat Code of Conduct, which it used to induce Black Hat USA to enter into the Sponsorship Agreement, Black Hat USA closed ranks with certain industry insiders in an effort to embarrass and ostracize Crown Sterling from the entrenched data security community. By doing so, Black Hat USA turned its espoused ethos of fostering an open community characterized by fair-minded dialog into empty words, and it violated the purpose and spirit of its Sponsorship Agreement with Crown Sterling. Crown Sterling, however, at all times complied with the Sponsorship Agreement as well as Black Hat USA's Code of Conduct.

35. By means of its actions and omissions, and in ways that will be more deeply investigated and understood in discovery and at trial, Black Hat USA deprived Crown Sterling of the benefit of its bargain under the Sponsorship Agreement

36. When the dust settled, as it often does, Crown Sterling reached out to Black Hat USA in good faith to try to resolve this matter amicably. Understandably, Crown Sterling asked for a refund of its sponsorship fee (seeking nothing for the countless hours of its staff time invested and out of pocket expenses incurred for travel, booth construction, and all other ancillary conference needs). Crown Sterling also asked Black Hat to issue a public statement clarifying its neutral position concerning Crown Sterling's encryption technology and denouncing the detractors' abusive actions undertaken on its watch. Black Hat USA declined to do so, leaving Crown Sterling no choice but to seek vindication in this Court.

**FIRST CLAIM FOR RELIEF**  
**(Breach of Contract)**

37. Plaintiff repeats and re-alleges the allegations set forth in paragraphs 1-36 hereof with the same force and effect as if fully set forth herein.

38. Plaintiff has performed all conditions, covenants, and promises required to be performed by Plaintiff in accordance with the terms of the Black Hat Sponsorship Agreement alleged herein.

39. As detailed above, Defendant has breached the Black Hat Sponsorship Agreement by, among other things:

- conducting itself in a manner that directly negated any and all benefits of the gold sponsorship program that Crown Sterling paid for;
- unreasonably refusing to prevent or mitigate the disruptive conduct of Crown Sterling's detractors at and in connection with the Black Hat USA 2019 Event;
- accepting without comment Crown Sterling's sponsored talk materials months in advance of the event, without providing any feedback or imposing any requirement on their content, and then issuing a public statement post-event in PC Magazine to disavow the content of the sponsored talk;

40. As a direct and proximate result of Defendant's breaches of the Black Hat Sponsorship Agreement as aforesaid, Plaintiff has suffered, and will continue to suffer, monetary damages in an amount to be proven at trial.

**SECOND CLAIM FOR RELIEF**  
**(Breach of Implied Covenant of Good Faith and Fair Dealing)**

41. Plaintiff repeats and re-alleges the allegations set forth in paragraphs 1-40 hereof with the same force and effect as if fully set forth herein.

42. Plaintiff has performed all conditions, covenants, and promises required to be performed by Plaintiff in accordance with the terms of the Black Hat Sponsorship Agreement alleged herein.

43. Defendant has breached the covenant of good faith and fair dealing implied in the Sponsorship Agreement by unfairly interfering with Plaintiff's right to receive the benefits of the Sponsorship Agreement by, among other things:

- conducting itself in a manner that directly negated any and all benefits of the gold sponsorship program that Crown Sterling paid for;
- unreasonably refusing to prevent or mitigate the disruptive conduct of Crown Sterling's detractors at and in connection with the Black Hat USA 2019 Event;
- accepting without comment Crown Sterling's sponsored talk materials months in advance of the event, without providing any feedback or imposing any requirement on their content, and then issuing a public statement post-event in PC Magazine to disavow the content of the sponsored talk;

44. As a direct and proximate result of Defendant's breaches of the implied covenant of good faith and fair dealing as aforesaid, Plaintiff has suffered, and will continue to suffer, monetary damages in an amount to be proven at trial.

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**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for judgment against the Defendant as follows:

- A. For monetary damages in an amount to be determined at trial;
- B. That Plaintiff be awarded all pre-judgment interest allowable by law; and
- C. For such further relief as the Court deems just and proper.

Respectfully submitted this 22<sup>nd</sup> day of August 2019.

By: /s/ Michael I. Katz

MASCHOFF BRENNAN  
100 Spectrum Center Dr., Suite 1200  
Irvine, CA 92618  
Telephone: (949) 202-1900  
Facsimile: (949) 453-1104  
Email: [mkatz@mabr.com](mailto:mkatz@mabr.com)

By: /s/ Joshua R. Bressler

BRESSLER LAW PLLC  
3 West 35<sup>th</sup> Street, 9<sup>th</sup> Floor  
New York, NY 10001  
Telephone: (917) 969-4343  
Facsimile: (917) 591-7111  
Email: [jrb@jrblaw.com](mailto:jrb@jrblaw.com)

*Attorneys for Plaintiff*  
*Crown Sterling Limited LLC*